

Christine A. Kingston, SBN 256503
Surf City Lawyers, APC
5882 Bolsa Ave., Ste. 130
Huntington Beach, CA 92649 Tel:
(714) 533-9210 phone
(714) 547-0165 fax
Christine@surfcitylawyers.com
Attorneys for Katie M. Sarreshteh

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT CALIFORNIA – LOS ANGELES DIVISION

In re:

Katie M. Sarreshteh,

Debtor,

Katie M. Sarreshteh ,

Plaintiff,

vs.

United States Department of Education,

Defendants.

Case No. 2:21-bk-14274-ER

Chapter 7

Adv. No.

**COMPLAINT FOR: DETERMINATION
THAT STUDENT LOAN DEBT IS
DISCHARGEABLE PURSUANT TO 11
U.S.C. §523(a)(8)**

COMPLAINT

1. Plaintiff and Debtor Katie M. Sarreshteh (“Plaintiff”) brings this adversary proceeding seeking an order determining that her student loan debt poses an undue hardship under 11 U.S.C. §523 (a)(8), and is thus dischargeable under 11 U.S.C. § 727.

JURISDICTION AND VENUE

2. This Court has jurisdiction pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157 and Local Bankruptcy Rule 7008. Venue is proper pursuant to 28 U.S.C. § 1409(a).

BACKGROUND FACTS

Ms. Sarreshteh's Educational History

3. Ms. Sarreshteh is 34 years old and Single. She is expecting her first child Spring, 2022.

4. Ms. Sarreshteh attended University of Missouri, Kansas City from 2009 to 2012 and obtained her Juris Doctor Degree in 2012.

5. Thereafter, she became a licensed attorney in Arizona and worked for two law firms until 2016 when she opened her own practice as an immigration attorney in California.

6. In 2019, Ms. Sarreshteh ran into some trouble with a client and was disbarred in October, 2019. Her disbarment was obtained by default, due to her failure to respond to a complaint. Unfortunately, her undiagnosed mental health issues contributed greatly to her disbarment.

7. Immediately thereafter, on October 27, 2019 Ms. Sarreshteh applied for and was accepted into an income driven repayment plan for her federal student loans under the Pay-As-You-Earn Program. Her then scheduled payment was \$0.00.

8. In November, 2019 Ms. Sarreshteh was hospitalized and was placed on temporary mental disability until July, 2020. She was diagnosed with multiple mental health issues; and prescribed medications that she continues with to this day. She remains under physician's care to manage her mental health.

9. In August, 2020 she returned back to work where she remains employed as a Title Assistant with Fidelity National Financial in Torrance, California.

Ms. Sarreshteh's Bankruptcy

10. On May 4, 2021, Ms. Sarreshteh filed the above-captioned Chapter 7 bankruptcy case in the United States Bankruptcy Court, Central District of California, Los Angeles Division under Case No. 2:21-bk-14274-ER ("Bankruptcy Petition").

11. In Schedule F of her Bankruptcy Petition, Ms. Sarreshteh listed two "Educational" debts owed to Navient totaling \$25,095.00.

12. Also in Schedule F of her Bankruptcy Petition, Ms. Sarreshteh listed two more "Educational" debts owed to U.S. Department of Education totaling \$295,147.00.

13. The Bankruptcy Noticing Center sent notice via first class mail, among other creditors to:

- a. Navient; PO Box 9655; Wilkes Barre, PA 18773-9655; and
- b. U.S. Department of Education via Glelsi; P.O. Box 7860 Madison, WI 53707.

Ms. Sarreshteh's Student Loans

14. Per documents obtained on or about July 11, 2021 from Ms. Sarreshteh's National Student Loan Data System ("NSLDS") account, the Federal Family Education Loans ("FFEL") or Direct Loans as originally disbursed were:

<u>Date</u>	<u>Amount</u>	<u>Type</u>	<u>School</u>
August 21, 2009	\$2,474.00	Unk.	U. of Missouri Kansas
August 21, 2009	\$8,500.00	Direct Plus Graduate	U. of Missouri Kansas
August 21, 2009	\$12,000.00	DIRECT Stafford Sub	U. of Missouri Kansas
August 24, 2009	\$13,950.00	DIRECT Stafford Unsub	U. of Missouri Kansas
May 10, 2010	\$11,043.00	Direct Plus Graduate	U. of Missouri Kansas
August 16, 2010	\$8,500.00	Direct Plus Graduate	U. of Missouri Kansas
August 16, 2010	\$12,000.00	DIRECT Stafford Sub	U. of Missouri Kansas
August 16, 2010	\$17,932.00	DIRECT Stafford Unsub	U. of Missouri Kansas
May 26, 2011	\$14,715.00	Direct Plus Graduate	U. of Missouri Kansas
September 13, 2011	\$8,500.00	Direct Plus Graduate	U. of Missouri Kansas
September 13, 2011	\$12,000.00	DIRECT Stafford Sub	U. of Missouri Kansas
September 13, 2011	\$24,407.00	DIRECT Stafford Unsub	U. of Missouri Kansas
January 12, 2012	\$24,755.00	DIRECT Plus Graduate	U. of Missouri Kansas

15. The current Total DIRECT PLUS GRADUATE Outstanding Principal\$185,395; and Interest:\$14,026. Total DIRECT STAFFORD UNSUBSIDIZED Outstanding Principal:\$56,450; and Interest:\$3,709. Total DIRECT STAFFORD SUBSIDIZED Outstanding Principal:\$33,376; and Interest:\$2,193. Thus, current outstanding balance for all her student loans totals: \$295,149.00.

16. The U.S. Department of Education is the appropriate Defendant because they are the Direct lender for all of Debtor's student loans.

///

FIRST CLAIM FOR RELIEF

(Determination That a Student Loan Debt is an Undue Hardship Pursuant to 11 U.S.C. §
523(a)(8) and Is Thus Dischargeable)

17. Plaintiff incorporates by reference each and every preceding paragraph of this complaint
as though fully set forth herein.

Present Undue Hardship

18. Ms. Sarreshteh is a single 34 year old who is expecting her first child in Spring, 2022.

19. Ms. Sarreshteh is currently employed as a Title Assistant with Fidelity National Financial
since August, 2020. Her current net monthly income according to her filed Schedule I is
approximately \$3,548.63.

20. Ms. Sarreshteh's household income, per her 2020 1040 federal tax return, was \$22,510.00.
This is less than half of the California Median Income (2020), and below the California
Department of Public Health's 2020 Poverty Guidelines.

21. As well, Ms. Sarreshteh is not married and expecting her first child while she manages her
mental health issues.

22. If forced to repay these loans, Ms. Sarreshteh cannot possibly hope to plan for her own
future. She lost her attorney license due to her mental health issues that went untreated.

Continuing Undue Hardship

Ms. Sarreshteh was diagnosed with multiple mental health issues after being hospitalized in
November, 2019 at the time she was being disbarred. For a year prior to her disbarment, she had
been disassociating and had trouble distinguishing what was real. Her continuing hardship lies in
her efforts to find the proper medications and medical support to manage her mental health issues.
The management of her mental health is her priority and this prevents her from obtaining another
bar admission and/or from gaining employment beyond her current capacity. According to her
Social Security Earnings report her highest income was \$54,661.00 for 2013.

Debtor's Good Faith Efforts

As soon as Ms. Sarreshteh was disbarred, she entered into and income driven repayment

1 plan, Pay-As-You-Earn, with a \$0.00 repayment amount. She has also kept her student loans in
2 good standing through forbearance periods as well.

3 28. Also, data released by the Department of Education in 2015 indicates that nearly 57%
4 of borrowers whose income driven plan recertification was due in a twelve-month period ending
5 in 2014 did not recertify on time—resulting in payment amount changes and further capitalization
6 of accrued interest.¹

7 29. Additionally, Ms. Sarreshteh no longer dines out, she quit her gym membership, taken
8 no vacations, makes coffee at home and packs her lunch every day. She also buys generic brands,
9 uses coupons and saves on her utilities by cutting the air conditioning. In further cutting her
10 expenses, she plans to live with her baby's father who will provide some financial support for
11 their child.

12 30. Ms. Sarreshteh has increased her income by selling clothes on Ebay.

13 **PRAYER**

14 WHEREFORE, Plaintiff prays for judgment in her favor, and against U.S. Department of
15 Education; and

16 A. That the Court issue a judgment declaring that her student loans are dischargeable
17 pursuant to 11 U.S.C. § 523(a)(8); and

18 B. For such other and further relief as the Court may deem just, proper, and appropriate.
19

20 Dated: October 8, 2021

SURF CITY LAWYERS, APC

21
22 By: /s/Christine A. Kingston

23 Christine A. Kingston,

24 *Attorneys for Plaintiff, Katie Sarreshteh*
25
26

27 ¹ U.S. Department of Education. "Sample Data on IDR Recertification Rates for ED-Held Loans." Shared on
28 April 1, 2015 at the second negotiated rulemaking session. <http://www2.ed.gov/policy/highered/reg/hearulemaking/2015/payee2-recertification.xls>.